

UNITED STATES DISTRICT COURT FOR THE
NORTHERN DISTRICT OF WEST VIRGINIA

FILED

APR 17 2012

U.S. DISTRICT COURT
ELKINS WV 26241

UNITED STATES OF AMERICA,
Plaintiff,

v.

JEFFREY J. PAGLIA,
JOHN N. SKRUCK,
JEREMIA J. PHILLIPS,
DERRICK L. CALIP,
JEMROSE, INC., d.b.a. "HOT STUFF
AND COOL THINGS," and,
PAG-CORP, INC.

Defendants.

Criminal No. 1:12cr25

Violations: 21 U.S.C. § 812
21 U.S.C. § 813
21 U.S.C. § 841(a)(1)
21 U.S.C. §(b)(1)(D)
21 U.S.C. § 841(b)(1)(C)
21 U.S.C. § 846
21 U.S.C. § 856(a)
21 U.S.C. § 856(b)
31 U.S.C. § 5324(a)(3)
31 U.S.C. § 5324(d)(2)

INDICTMENT

The Grand Jury charges that:

INTRODUCTION

1. At all times relevant to this Indictment:
 - a. Defendant **JEFFREY J. PAGLIA** was the owner and primary operator of defendant **JEMROSE, INC.**, a West Virginia corporation.
 - b. Defendant **JEMROSE, INC.**, did business as "Hot Stuff and Cool Things" in Clarksburg and Buckhannon, West Virginia.
 - c. The primary purpose of defendant **JEMROSE, INC.**, was to sell drugs commonly called "bath salts," whose side-effects can cause the user to, among other things, commit acts of violence, hallucinate, and commit acts of self-mutilation. Defendant

JEMROSE, INC., also sold synthetic marijuana. Both bath salts and synthetic marijuana contain Schedule I controlled substances and analogues of Schedule I controlled substances, which were illegal because they were sold for human consumption.

- d. Defendant **JEFFREY J. PAGLIA** was the owner and primary operator of defendant **PAG-CORP, INC.**, a West Virginia corporation.
- e. The primary purpose of defendant **PAG-CORP, INC.** was to buy property with the money made by the illegal sale of “bath salts” by defendant **JEMROSE, INC.**
- f. Defendant **JOHN N. SKRUCK** acted in a managerial capacity for defendant **JEMROSE, INC.**
- g. Defendants **JEREMIA J. PHILLIPS** and **DERRICK L. CALIP** worked primarily at the “Hot Stuff and Cool Things” store located in Clarksburg.

COUNT 1

(Structuring monetary transactions to evade the reporting requirement)

- 2. Paragraphs 1a. through 1g. are incorporated by reference.
- 3. Title 31, United States Code, Section 5313(a) and other federal regulations require any financial institution that engages with a customer in a currency transaction (that is, a deposit or withdrawal) in excess of \$10,000 to report the transaction to the Internal Revenue Service.
- 4. It is a criminal violation of federal law for a bank customer to structure, assist in structuring or attempt to structure or assist in structuring, any financial transaction with one or more domestic financial institutions with the intent to evade the reporting requirements of Title 31, United States Code, Section 5313(a). Federal regulations define “structuring” as follows: “[A] person structures a transaction if that person, acting alone, or in conjunction

with, or on behalf of, other persons, conducts or attempts to conduct one or more transactions in currency, in any amount, at one or more financial institutions, on one or more days, in any manner, for the purpose of evading the reporting requirements under [other pertinent subchapters] of this chapter. 'In any manner' includes, but is not limited to, the breaking down of a single sum of currency exceeding \$10,000 into smaller sums, including sums at or below \$10,000, or the conduct of a transaction, or series of currency transactions at or below \$10,000. The transaction or transactions need not exceed the \$10,000 reporting threshold at any single financial institution on any single day in order to constitute structuring within the meaning of this definition."

5. From on or about February 2, 2011, to on or about August 11, 2011, in or near Harrison County, West Virginia, and within the Northern Judicial District of West Virginia, Defendants **JEFFREY J. PAGLIA** and **JEMROSE, INC.**, did knowingly, and for the purpose of evading the reporting requirements of Title 31, United States Code, Section 5313(a), and the regulations promulgated thereunder, structure, assist in structuring, and attempted to structure and assist in structuring, financial transactions with one or more domestic financial institutions as part of a pattern of illegal activity involving approximately \$747,430 in less than a 12-month period.

IN VIOLATION OF TITLE 31, UNITED STATES CODE, SECTIONS 5324(a)(3) and (d)(2)

COUNT 2

(Drug conspiracy)

Beginning on or about September 7, 2011, and continuing to the present, in or near Harrison County, West Virginia, within the Northern Judicial District of West Virginia, and elsewhere, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** and **PAG-CORP, INC.** did knowingly and willfully combine, conspire, confederate and agree and have a tacit understanding with each other and with other persons known and unknown to the Grand Jury to commit offenses against the United States, that is: to violate Title 21, United States Code, Section 841(a)(1). It was a purpose and object of the conspiracy knowingly and intentionally to possess with intent to distribute and to distribute alpha-Pyrrolidinopentiophenone, Ethylcathinone and 2-(Methylamino)-1-phenyl-pentane-1-one, also known as "bath salts," all of which are Schedule I controlled substance analogues as defined in 21 U.S.C. §802(32), knowing the substances were intended for human consumption as provided in 21 U.S.C. §813 and N-Ethylamphetamine and 3,4-Methylenedioxymethcathinone, Schedule I controlled substances.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 846 and 841(b)(1)(C)

COUNT 3

(Distribution of bath salts)

On or about September 14, 2011, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of 500 mg of Ivory Wave containing a quantity of alpha-Pyrrolidinopentiophenone, aka alpha-PVP, a Schedule I controlled substance analogue which was intended for human consumption, as defined in 21 U.S.C. §802(32); packages of Red Dove pills containing a quantity of N-Ethylamphetetamine, a Schedule I, drug-controlled substance; and a package of 500 mg of Ocean Snow containing a quantity of 3,4-Methylenedioxymethcathinone, a Schedule I, drug-controlled substance, to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) AND *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 4

(Distribution of bath salts)

On or about September 16, 2011, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of Ivory Wave Ultra containing a quantity of alpha-Pyrrolidinopentiophen, aka alpha-PVP, a Schedule I controlled substance analogue which was intended for human consumption, as defined in 21 U.S.C. §802(32) and a package of Doves Red pills containing a quantity of N-Ethylamphetamine, a Schedule I, drug-controlled substance, to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 5

(Distribution of bath salts)

On or about September 28, 2011, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of Doves Red pills containing a quantity of N-Ethylamphetamine, a Schedule I, drug-controlled substance, to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 6

(Distribution of bath salts)

On or about January 10, 2012, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of Ivory Wave containing a quantity of Ethylcathinone, 2-(Methylamino)-1-phenyl-pentane-1-one and alpha-Pyrrolidinopentiophenone, all Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32), to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 7

(Distribution of bath salts)

On or about January 11, 2012, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of Ivory Wave containing a quantity of 2-(Methylamino)-1-phenyl-pentane-1-one, and Ethylcathinone, both Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32) and a package of Recharge Extra containing a quantity of alpha-Pyrrolidinopentiophenone, 2-(Methylamino)-1-phenyl-pentane-1-one and Ethylcathinone, Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32), to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 8

(Distribution of bath salts)

On or about January 18, 2012, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package of Sextacy containing a quantity of 2-(Methylamino)-1-phenyl-pentane-1-one and Ethylcathinone, both Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32) and a package of Recharge Extra containing a quantity of alpha-Pyrrolidinopentiophenone, a Schedule I controlled substance analogue and 2-(Methylamino)-1-phenyl-pentane-1-one and Ethylcathinone, both Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32), to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 9

(Distribution of bath salts)

On or about January 25, 2012, at or near Harrison County, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did unlawfully, knowingly, intentionally and without authority distribute a package containing a quantity of Pyrrolidinopentiophenone, Ethylcathinone and 2-(Methylamino)-1-phenylpentane-1-one, all Schedule I controlled substance analogues which were intended for human consumption, as defined in 21 U.S.C. §802(32), as defined in 21 U.S.C. §802(32), to a person known to the Grand Jury.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 812, 813, 841(a)(1) and (b)(1)(C) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 10

(Maintaining drug-involved premises at 603 Rosebud Plaza, Clarksburg, West Virginia)

From on or about September 7, 2011, and up to the date of this Indictment, in Clarksburg, Harrison County, West Virginia, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did knowingly open, lease, rent, use and maintain the Hot Stuff and Cool Things store at 603 Rosebud Plaza in Clarksburg, West Virginia, both permanently and temporarily, for the purpose of distributing and using the controlled substances described in this Indictment and did manage and control that place both permanently and temporarily as an owner, lessee, agent, employee, occupant and did knowingly make available for use with and without compensation that place for the purpose of unlawfully storing, distributing and using the controlled substances described in this Indictment.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 856(a) and (b) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

COUNT 11

(Maintaining drug-involved premises at the storage building used by the Hot Stuff and Cool Things store located in the rear section of Stonewood Industrial Park at 313 Water St., Stonewood, West Virginia)

From on or about September 7, 2011, and up to the date of this Indictment, in Clarksburg, Harrison County, West Virginia, within the Northern Judicial District of West Virginia, defendants **JEFFREY J. PAGLIA, JOHN N. SKRUCK, JEREMIA J. PHILLIPS, DERRICK L. CALIP, and JEMROSE, INC., d.b.a. "HOT STUFF AND COOL THINGS,"** did knowingly open, lease, rent, use and maintain the storage building used by the Hot Stuff and Cool Things store located in the rear section of Stonewood Industrial Park at 313 Water St., Stonewood, West Virginia, both permanently and temporarily, for the purpose of distributing and using the controlled substances described in this Indictment and did manage and control that place both permanently and temporarily as an owner, lessee, agent, employee, occupant and did knowingly make available for use with and without compensation that place for the purpose of unlawfully storing, distributing and using the controlled substances described in this Indictment.

IN VIOLATION OF TITLE 21, UNITED STATES CODE, SECTIONS 856(a) and (b) and *PINKERTON V. UNITED STATES*, 328 U.S. 640 (1946)

FORFEITURE ALLEGATION

Controlled Substance Act

Pursuant to Title 21, United States Code, Section 853 and Title 21, United States Code, Sections 841 and 846, the government will seek the forfeiture of property as part of the sentence imposed in this case; that is, the forfeiture of any property used, or intended to be used, to commit or to facilitate the commission of the above referenced offenses, and any property constituting, or derived from, proceeds obtained directly or indirectly, as a result of such offenses, including:

- A. Hot Stuff and Cool Things box truck owned by Jemrose, Inc., described as a 2000 Chevrolet Express Cutaway G3500 box truck, bearing plate number 4TJ571;
- B. Bank accounts and safety deposit boxes of Jeffrey J. Paglia, Jemrose, Inc., Pag-Corp, Inc., and Hot Stuff and Cool Things, which are listed as Attachment A to this Indictment;
- C. Jeffrey J. Paglia's Ford F-150 truck, owned by Paglia, and bearing WV plate number 8TS601;
- D. A BMW bearing TX plate number CM8V546, used by Phillips;
- E. Real property, which is listed on Attachment B to this Indictment; and,
- F. A money judgment in the amount of at least \$2,560,320.
- G. T190 Bobcat front-end loader.

Structuring

Pursuant to Title 31, United States Code, Section 5317(c)(1), the government will seek the forfeiture of property as part of the sentence imposed in this case; that is, the forfeiture of any property involved in or traceable to a violation of Title 31, United States Code, Section 5324, or a conspiracy to violate such offense, and a money judgment in the amount of at least \$747,430.

Substitute Property

Pursuant to Title 28, United States Code, Section 2461(c), the government will seek forfeiture of substitute property up to the value of property subject to direct forfeiture that is not available for forfeiture on account of any act or omission contemplated by Title 21, United States Code, Section 853(p)(1), which property includes all property listed in paragraphs A. through G. above, including the attachments A (bank accounts and safety deposit boxes) and B (real estate) to this Indictment.

A True Bill,

/s/
Foreperson
(Signature on File)

/s/ William J Ihlenfeld II
William J. Ihlenfeld, II
United States Attorney

**Attachment A (Redacted
version)**

**City National Bank of
West Virginia**

Account Number
XXXXXXX1599 in the
name of:

Jemrose Inc.
d.b.a. Hot Stuff and Cool
Things Wholesale
Main Account
603 Rosebud Plaza
Clarksburg, WV 26301
Opened on 12/07/2011
Authorized signor is
Jeffrey J Paglia
and [redacted]

Account Number
XXXXXXX1607 in the
name of:
Jemrose Inc.
d.b.a. Hot Stuff and Cool
Things Wholesale
Vendor Account
603 Rosebud Plaza
Clarksburg, WV 26301
Opened on 12/07/2011
Authorized signor is
Jeffrey J Paglia
and [redacted]

Account Number
XXXXXXX1615 in the
name of:
Jemrose Inc.
d.b.a. Hot Stuff and Cool
Things Wholesale
Payroll Account
603 Rosebud Plaza
Clarksburg, WV 26301
Opened on 12/07/2011
Authorized signor is
Jeffrey J Paglia

and [redacted]

Account Number

XXXXXX1623 in the

name of:

Jemrose Inc.

d.b.a. Hot Stuff and Cool

Things Wholesale

Sales Tax Account

603 Rosebud Plaza

Clarksburg, WV 26301

Opened on 12/07/2011

Authorized signor is

Jeffrey J Paglia

and [redacted]

Account Number

XXXXXX1631 in the

name of:

Jemrose Inc.

d.b.a. Hot Stuff and Cool

Things Wholesale

ATM Account

603 Rosebud Plaza

Clarksburg, WV 26301

Opened on 12/07/2011

Authorized signor is

Jeffrey J Paglia

and [redacted]

Account Number

XXXXXX1649 in the

name of:

Jemrose Inc.

d.b.a. Hot Stuff and Cool

Things Wholesale

Credit Account

603 Rosebud Plaza

Clarksburg, WV 26301

Opened on 12/07/2011

Authorized signor is

Jeffrey J Paglia

and [redacted]

Account Number
XXXXXX1680 in the
name of:
Jeffrey J. Paglia
669 South Chestnut Street
Clarksburg, WV 26301
Opened on 12/09/2011
Authorized signor is
Jeffrey J Paglia

Account Number
XXXXXX6075 in the
name of:
Pag-Corp Inc.
603 Rosebud Plaza
Clarksburg, WV 26301
Opened on 12/09/2011
Authorized signor is
Jeffrey J Paglia
and [redacted]

Safety Deposit boxes in
the names of any of the
above, except not for
[redacted]

Citizens Bank of Weston
Account Number
XX715 in the name of
Jemrose, Inc.

Attachment B for Indictment

Harrison County Real Property

1 Deed dated 02/22/2011

Purchase Price \$ 56,300.00

Deed
Deed of Trust

Loan Amount

Book Page District Map Parcel Assessed Appraised
1464 80 20 2901 127 \$ 40,620.00 \$ 67,700.00

to Jeff Paglia

Consideration \$56300.00

Address: 60 Westfall Avenue, Lost Creek, WV

Deed of Trust dated 08/29/2011

Jeff Paglia, Grantor

\$ 56,300.00 1225 1331

Jemrose Inc., Beneficiary

Loan Amount \$56300.00

2 Deed 03/01/2011

\$ 6,000.00

1465 460

to Jeff Paglia

Consideration \$6000.00

Address: No Address - end of Victoria Street, Lost Creek, WV

13 2103 22 \$ 200.00 \$ 333.33
13 2103 23 \$ 360.00 \$ 600.00
13 2103 24 \$ - \$ -
13 2103 25 \$ - \$ -
13 2103 26 \$ - \$ -
13 2103 38 \$ 200.00 \$ 333.33
13 2103 39 \$ 200.00 \$ 333.33
13 2103 40 \$ - \$ -
13 2103 41 \$ - \$ -

Deed of Trust dated 03/01/2011

Jeff Paglia, Grantor

\$ 6,000.00 1225 1335

Jemrose Inc., Beneficiary

Loan Amount \$6000.00

3 Deed dated 05/25/2011

\$ 13,000.00

1471 256

8 11 248 \$ 19,260.00 \$ 32,100.00

to Jeffrey J. Paglia

Consideration \$13000.00

Address: 2007 Pearman Avenue, Clarksburg, WV

Deed of Trust dated 05/25/2011

Jeff Paglia, Grantor

\$ 13,000.00 1225 1339

Jemrose Inc., Beneficiary

Loan Amount \$13000.00

4 Deed dated 06/24/2011

\$ 43,500.00

1472 1300

3 20 104 \$ 30,660.00 \$ 51,100.00

to Jeffrey Paglia

Consideration \$43500.00

Address: 669 South Chestnut Street, Clarksburg, WV

5 Deed dated 06/15/2011

\$ 22,500.00

1472 1306

3

3

227 \$ 41,880.00 \$ 69,800.00

to Jeffrey Paglia

Consideration \$22,500.00

Address: 140 Ridenour Street, Clarksburg, WV

6 Deed dated 10/11/2011

\$ 42,000.00

1478 210

8

6

73 \$ 32,280.00 \$ 53,800.00

to PAG-CORP, Inc.

Consideration \$42,000.00

Address: 1454 Farland Avenue, Clarksburg, WV

7 Deed dated 10/11/2011

\$ 38,000.00

1478 218

3

4

212 \$ 36,480.00 \$ 60,800.00

to PAG-CORP, Inc.

Consideration \$38,000.00

Address: 205 Milford Street, Clarksburg, WV

8 Deed dated 11/01/2011

\$ 99,500.00

1479 951

3

18

80 \$ 3,120.00 \$ 5,200.00

to PAG-CORP, Inc.

Consideration \$99,500.00

Address: 614 West Main Street, Clarksburg, WV

Deed of Trust dated 11/15/2011

PAG-CORP, Inc., Grantor

\$ 69,500.00 1229 175

Loan Amount \$69,500.00

9 Deed dated 01/31/2012

\$ 29,000.00

1483 183

3

3

273 \$ 26,640.00 \$ 44,400.00

to PAG-CORP, Inc.

Consideration \$29,000.00

Address: 208 Woodland Avenue, Clarksburg, WV

10 Deed dated 03/15/2012

\$ 95,000.00

1485 1186

15

248

36 \$ 16,920.00 \$ 28,200.00

to PAG-CORP, Inc.
 Consideration \$95,000.00
 Address: Unimproved Land - No Address

Purchase Price Loan Amount
 \$ 444,800.00 \$ 144,800.00

Assessed Appraised
 \$425,760.00 \$709,599.99

Upshur County Real Property

11 Deed dated 02/17/2012

\$ 62,500.00

503

575

2 5E

10.2 \$ 64,920.00 \$108,200.00

to PAG-CORP, Inc.

Consideration \$62,500.00

Address: 47 Foxstone Drive, Buckhannon, WV

Purchase Price Loan Amount
 \$ 62,500.00

Assessed Appraised
 \$ 64,920.00 \$108,200.00

Total Real Property

\$ 507,300.00 \$ 144,800.00

\$490,680.00 \$817,799.99